

Message Text

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21

ACTION EUR-12

INFO OCT-01 EA-10 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

RSC-01 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 DODE-00 PM-03 H-02 L-02 PA-02 PRS-01

USIA-15 /124 W

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P R 281011Z JAN 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 6198

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

UNCLAS PARIS 02289

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: ECONOMICS MINISTER ON DOLLAR AND INTERNATIONAL
MONETARY OUTLOOK

IN INTERVIEW WITH ECONOMIC DAILY "LES ECHOS" JANUARY 28,
ECONOMICS AND FINANCE MINISTER FOURCADE GAVE HIS VIEWS
RE CURRENT INTERNATIONAL MONETARY SITUATION AND OUTLOOK.
FOLLOWING ARE HIGHLIGHTS OF MINISTER'S REMARKS:

1. IN REPLY TO QUESTION AS TO WHETHER HE WAS
WORRIED BY DROP IN DOLLAR RATE, MINISTER SAID: "YES.

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I FIND DROP IN DOLLAR IS TOO GREAT. NORMAL PARITY

BETWEEN FRANC AND DOLLAR OF 4.60 IS ENTIRELY SUITABLE. DROP OF DOLLAR BELOW THAT PARITY IS WORRISOME BECAUSE IT THREATENS TO AFFECT A CERTAIN NUMBER OF EXPORT MARKETS AND CONTRACTS. SELLING AIRPLANES WITH DOLLAR AT 4.35 IS NOT EASY."

2. ASKED IF HE THOUGHT DROP WOULD CONTINUE MINISTER REPLIED: "NO. DOLLAR MAY FALL TO 4.10, EVEN 3.98. IT IS NOT IMPOSSIBLE THAT FOR A FEW DAYS WE MAY SEE AGAIN THE RECORD LOWS OF 1973. BUT THAT CANNOT CONTINUE VERY LONG."

3. FOURCADE SAID GREAT CHANGE IN SITUATION WAS THAT DOLLAR IS NO LONGER A RESERVE CURRENCY. HE FELT THAT WE ARE MOVING TOWARDS SITUATION WHERE FRANC AND DEUTCHMARK WOULD BECOME INSTRUMENTS FOR INTERNATIONAL SETTLEMENTS JUST LIKE DOLLAR. WE ARE LIVING THROUGH LAST DAYS OF DOLLAR PREDOMINANCE.

4. RE GOLD, "LES ECHOS" ASKED WHETHER FRANCE HAD REALLY GIVEN INTO U.S. OR WHETHER FRANCE HAD SIMPLY MOVED AWAY FROM CERTAIN PRINCIPLES SO AS BETTER TO INSURE MONETARY ROLE FOR GOLD OVER LONGER RUN. FOURCADE REPLIED THAT WAS EXACTLY WHAT SOME PEOPLE IN U.S. WERE ASKING THEMSELVES. "BUT PLAIN TRUTH IS THAT PEOPLE CANNOT BE PREVENTED FROM HOLDING MONETARY ASSETS IN FORM OF GOLD AND FOREIGN EXCHANGE. THUS, THESE ASSETS MUST BE VALUED AT THEIR PROPER PRICE."

5. FOURCADE SAID FRANCE REMAINED CONVINCED THAT FIXED EXCHANGE RATES WERE ESSENTIAL FOR ORDERLY INTERNATIONAL MONETARY SITUATION. HE DID NOT SHARE VIEW OF SOME OF HIS FOREIGN COLLEAGUES THAT GENERALIZED FLOATING WAS NOT SUCH A CASTASTROPHE. THE ONLY WAY INTERNATIONAL FINANCIAL OPINION WOULD BE CALMED DOWN WAS BY ESTABLISHMENT OF A SYSTEM OF FIXED BUT ADJUSTABLE EXCHANGE RATES. THIS POSSIBILITY COULD NOT BE EXPECTED UNTIL THERE WAS REAL RECOVERY OF U.S. ECONOMY, "WHICH AT THE PRESENT MOMENT IS NOT YET IN SIGHT."

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6. FOURCADE SAID THERE HAD BEEN CONCERTED EFFORT AMONG EUROPEANS TO BRING DOWN INTEREST RATES. REFERRING TO PARIS CALL MONEY RATE, HE EXPRESSED VIEW THAT IT HAD STAYED AT 11.5 PERCENT A LITTLE TOO LONG AND THAT IT SHOULD COME DOWN "A LITTLE MORE" BELOW CURRENT LEVEL OF ABOUT 10.75 PERCENT - SPECIFICALLY TO SINGLE DIGIT FIGURE.

RUSH

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Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
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